

Financial Statements

Sun Valley Summer Symphony, Inc.
dba Sun Valley Music Festival
(a nonprofit organization)
Years ended October 31, 2020 and 2019



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Sun Valley Summer Symphony, Inc.
d.b.a. Sun Valley Music Festival
Sun Valley, Idaho

We have audited the accompanying financial statements of Sun Valley Summer Symphony, Inc. d.b.a. Sun Valley Music Festival (a nonprofit organization), which comprise the statement of financial position as of October 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the statements of financial position in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimated made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.





Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sun Valley Summer Symphony, Inc. d.b.a. Sun Valley Music Festival as of October 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The financial statements of Sun Valley Summer Symphony, Inc. d.b.a. Sun Valley Music Festival for the year ended October 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on March 4, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended October 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harris CPAs

Meridian, Idaho
March 9, 2021



SUN VALLEY SUMMER SYMPHONY, INC.
D.B.A. SUN VALLEY MUSIC FESTIVAL
STATEMENTS OF FINANCIAL POSITION
October 31, 2020
With Comparative Totals as of October 31, 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalent	\$ 368,921	\$ 90,213
Promises to give	0	21,484
Prepaid expenses	19,126	6,266
Operating investments	3,953,184	4,925,783
Endowment investments	9,098,696	9,341,763
Right to use Sun Valley Pavilion	3,000,000	3,000,000
Property and equipment, net	<u>1,585,786</u>	<u>1,253,041</u>
Total Assets	<u>\$ 18,025,713</u>	<u>\$ 18,638,550</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 38,060	\$ 16,399
Accrued expenses	<u>89,695</u>	<u>50,528</u>
Total Liabilities	127,755	66,927
Net Assets		
Without donor restrictions	15,102,933	15,760,410
With donor restrictions	<u>2,795,025</u>	<u>2,811,213</u>
Total Net Assets	<u>17,897,958</u>	<u>18,571,623</u>
Total Liabilities and Net Assets	<u>\$ 18,025,713</u>	<u>\$ 18,638,550</u>

See notes to financial statements.

SUN VALLEY SUMMER SYMPHONY, INC.
D.B.A. SUN VALLEY MUSIC FESTIVAL
STATEMENTS OF ACTIVITIES
For The Year Ended October 31, 2020
With Comparative Totals For The Year Ended October 31, 2019

	<u>Without</u> <u>Restrictions</u>	<u>With</u> <u>Restrictions</u>	<u>2020</u> <u>Total</u>	<u>2019</u> <u>Total</u>
Revenues and Support				
Contributions	\$ 2,551,335	\$ 223,739	\$ 2,775,074	\$ 3,387,533
Lessons and fees	71,118		71,118	82,305
Program book revenue	57,600		57,600	89,100
Special events, net	(28,841)		(28,841)	(114,142)
Investment return, net	93,855		93,855	1,198,408
PPP loan assistance	198,887		198,887	0
Other	<u>3,287</u>		<u>3,287</u>	<u>17,817</u>
	2,947,241	223,739	3,170,980	4,661,021
Net assets released from restrictions	<u>239,927</u>	<u>(239,927)</u>	<u>0</u>	<u>0</u>
Total Revenue	3,187,168	(16,188)	3,170,980	4,661,021
Expenses				
Program services				
Summer season	2,123,658		2,123,658	1,776,970
Winter season	262,073		262,073	271,373
Education	<u>760,175</u>		<u>760,175</u>	<u>918,765</u>
Total Program Services	3,145,906	0	3,145,906	2,967,108
Supporting services				
Fundraising	344,354		344,354	452,964
Management & general	<u>354,385</u>		<u>354,385</u>	<u>478,824</u>
Total Supporting Services	698,739	0	698,739	931,788
Total Expenses	<u>3,844,645</u>	<u>0</u>	<u>3,844,645</u>	<u>3,898,896</u>
Change in Net Assets	(657,477)	(16,188)	(673,665)	762,125
Net Assets				
Beginning of Year	<u>15,760,410</u>	<u>2,811,213</u>	<u>18,571,623</u>	<u>17,809,498</u>
End of Year	<u>\$ 15,102,933</u>	<u>\$ 2,795,025</u>	<u>\$ 17,897,958</u>	<u>\$ 18,571,623</u>

See notes to financial statements.

SUN VALLEY SUMMER SYMPHONY, INC.
D.B.A SUN VALLEY MUSIC FESTIVAL
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended October 31, 2020
With Comparative Totals for the Year Ended October 31, 2019

	Program Services			Supporting Services			2020 Total	2019 Total
	Summer Season	Winter Season	Education	Total Program	Fundraising	Management & General		
Personnel Costs	\$ 312,388	\$ 57,546	\$ 333,782	\$ 703,716	\$ 232,584	\$ 259,204	\$ 1,195,504	\$ 1,055,478
Advertising and marketing	111,133	11,440	6,933	129,506	26,006	1,365	156,877	251,030
Awards and gifts	233		1,857	2,090	126	452	2,668	9,835
Office operations	56,448	11,791	42,686	110,925	43,874	9,775	164,574	235,948
Productions	228,942	48,292	19,450	296,684	10,894		307,578	263,280
Professional fees	1,316,282	93,925	328,937	1,739,144	27,429	9,080	1,775,653	1,526,134
Rent	60,315	12,867	6,352	79,534	3,051	75	82,660	25,013
Store Merchandize	4,240			4,240			4,240	6,832
Travel and lodging	33,677	26,212	20,178	80,067	390	184	80,641	453,223
Depreciation						74,250	74,250	72,123
	<u>\$ 2,123,658</u>	<u>\$ 262,073</u>	<u>\$ 760,175</u>	<u>\$ 3,145,906</u>	<u>\$ 344,354</u>	<u>\$ 354,385</u>	<u>\$ 3,844,645</u>	<u>\$ 3,898,896</u>

See notes to financial statements.

SUN VALLEY SUMMER SYMPHONY, INC.
D.B.A. SUN VALLEY MUSIC FESTIVAL
STATEMENTS OF CASH FLOWS
For The Year Ended October 31, 2020
With Comparative Totals For The Year Ended October 31, 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (673,665)	\$ 762,125
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	74,250	72,123
Unrealized gain on investments	(1,992)	(735,469)
Realized (gain) loss on investments	173,313	(106,754)
Changes in operating assets and liabilities:		
Promises to give, net	21,484	8,000
Prepaid expenses	(12,860)	813
Accounts payable	21,661	(12,814)
Accrued expenses	<u>39,167</u>	<u>6,596</u>
Net Cash Provided (Used) By Operating Activities	(358,642)	(5,380)
Cash Flows From Investing Activities		
Purchase of equipment	(406,995)	0
Purchase of investments	(5,403,584)	(2,393,363)
Proceeds from sales of investments	6,747,929	2,379,334
Withdrawal from endowment	<u>(300,000)</u>	<u>(221,229)</u>
Net Cash Provided (Used) By Investing Activities	<u>637,350</u>	<u>(235,258)</u>
Net Change in Cash and Cash Equivalents	278,708	(240,638)
Cash and Cash Equivalents		
Beginning of Year	<u>90,213</u>	<u>330,851</u>
End of Year	<u>\$ 368,921</u>	<u>\$ 90,213</u>

See notes to financial statements.

**SUN VALLEY SUMMER SYMPHONY, INC.
D.B.A. SUN VALLEY MUSIC FESTIVAL
NOTES TO FINACIAL STATEMENTS**

Note A – Summary of Significant Account Policies

Nature of Organization

Sun Valley Summer Symphony, Inc. d.b.a. Sun Valley Music Festival (the Festival) was incorporated in the State of Idaho May 13, 1985, to provide high quality performances of the classical repertoire for the general public at various sites in the Wood River Valley. The Festival has a cultural, artistic, and educational purpose for all of its activities and has provided the Summer Music Institute and School of Music for the education and enjoyment of young musicians. The Festival's support comes primarily from individual and corporate donors' contributions.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Festival reports net assets and revenues, expenses, gains and losses are classified according to two classes of net assets: with donor restrictions and without donor restrictions. Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. Net asset with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

Use of Estimates

The Festival uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from estimates.

Cash and Cash Equivalents

The Festival considers all unrestricted, short-term, highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

**SUN VALLEY SUMMER SYMPHONY, INC.
D.B.A. SUN VALLEY MUSIC FESTIVAL
NOTES TO FINANCIAL STATEMENTS**

Note A – Summary of Significant Account Policies (Continued)

Concentrations of Credit Risk

Financial instruments that potentially subject the Festival to significant concentrations of credit risk consist principally of cash and investments. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation for up to \$250,000 and the Securities Investor Protection Corporation for up to \$500,000. Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Festival has not experienced losses in any of these accounts. Investments are made by diversified investment managers whose performance is monitored by management and the Investment Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Festival.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received as assets, decreases of liabilities, or expenses, depending on the form of the benefit received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Pledges are not collateralized and, as a result, management continually monitors the financial condition and payment history of its income sources to reduce the risk of loss.

Investments

Investments with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Property and Equipment

Property and equipment is stated at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from five to forty years. The Festival capitalizes all property and equipment with a cost in excess of \$500 and a useful life longer than one year.

**SUN VALLEY SUMMER SYMPHONY, INC.
D.B.A. SUN VALLEY MUSIC FESTIVAL
NOTES TO FINANCIAL STATEMENTS**

Note A – Summary of Significant Account Policies (Continued)

Accrued Vacation

Includes amounts for vacation days, which are earned ratably during the year based upon length of employment. Accrued vacation is included in accrued expenses on the statement of financial position.

Fair Value

The Festival uses fair value for reporting financial assets and liabilities. A hierarchy for reporting the reliability of input measurements is used to assess fair value for all assets and liabilities. Fair value is defined as the selling price that would be received for an asset, or paid to transfer a liability, in the principal or most advantageous market on the measurement date. The hierarchy established prioritizes fair value measurements based on the types of inputs used in the valuation technique. Certain financial instruments are carried at cost on the statement of financial position, which approximates fair value due to their short term, highly liquid nature.

Revenue Recognition

Revenue is recognized when earned. Program revenue and fees are deferred to the applicable period in which the related services are performed or expenditures are incurred. Special event ticket sales and sponsorships are recorded in the period in which the event occurs.

Contributions and Donor Imposed Restrictions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as contributions with donor restrictions that increases that net asset class. When donor restrictions expire, that is, when a time restriction ends and/or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Special Events and Fundraising

Special events are shown net of costs that are direct benefits. Direct benefits expense totaled \$28,841 and \$258,642 for the year ended October 31, 2020 and 2019. In 2020, the event was cancelled and purchased tickets were refunded, although some donors contributed the value of their tickets to the Festival's Annual Fund. There were some expenses already incurred by the Festival prior to the cancellation. The remaining costs shown in fundraising in the statement of functional expenses are for donor development and general fundraising.

**SUN VALLEY SUMMER SYMPHONY, INC.
D.B.A. SUN VALLEY MUSIC FESTIVAL
NOTES TO FINANCIAL STATEMENTS**

Note A – Summary of Significant Account Policies (Continued)

Donated Services

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributed services are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

The Festival also has many individuals who volunteer their time and perform a variety of tasks that assist the organization with its fund-raising and program services. No amounts have been reflected in the financial statements for these donated services.

Functional Allocation of Expenses

The costs of providing the program have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. Salaries and wages, benefits and payroll taxes are allocated based on the time spent by each employee on each respective program or supporting function. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Advertising and Marketing

The Festival uses advertising and marketing to promote its programs among the audience it serves. The production costs of advertising and marketing are expensed as incurred. The Festival incurred \$156,877 and \$251,030 in advertising and marketing expenses for the years ended October 31, 2020 and 2019, respectively.

Income Tax Status

The Festival is classified as a Section 501(c)(3) organization that is exempt from income taxes under the Federal Internal Revenue Code. Accordingly, no provision for income taxes is made in the financial statements. In addition, the Festival has been classified as an organization that is not a private foundation under Section 509(a)(2).

**SUN VALLEY SUMMER SYMPHONY, INC.
D.B.A. SUN VALLEY MUSIC FESTIVAL
NOTES TO FINACIAL STATEMENTS**

Note A – Summary of Significant Account Policies (Continued)

Uncertain Tax Positions

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Festival may recognize tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal years 2020.

The Festival files Form 990 in the U.S. federal jurisdiction. The Festival is generally no longer subject to examination by the Internal Revenue Service for years before 2016.

Reclassification

Certain amounts at October 31, 2019 have been reclassified to conform to the current year presentation. The reclassifications did not have any effect on net assets for the year ended October 31, 2019.

Prior Year Comparative Totals

The financial statements include certain 2019 summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a complete presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in connection with the 2019 financial statements form which the summarize information was derived.

Subsequent Events

Subsequent events have been evaluated through March 9, 2021 which is the date the financial statements were available to be issued.

**SUN VALLEY SUMMER SYMPHONY, INC.
D.B.A. SUN VALLEY MUSIC FESTIVAL
NOTES TO FINANCIAL STATEMENTS**

Note B – Liquidity and Availability of Resources

The Festival’s financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and restricted cash	\$ 368,921
Investments – Endowment spending rate distribution and appropriation	300,000
Investments and restricted investments	<u>3,953,184</u>
 Total financial assets available within one year after restriction	 <u>\$ 4,622,105</u>

As part of the Festival’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Endowment fund consists of funds designated by the board as endowments. The board-designated endowment of is subject to an annual spending rate of 3.5%. Although the Festival does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board’s annual budget approval and appropriation), these amounts could be made available if necessary. As part of a liquidity management plan, cash in excess of daily requirements is invested in short-term investments, and money market funds.

Note C - Investments

Investments as of October 31 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Cost	\$ 12,360,790	\$ 13,578,448
Unrealized gain	<u>691,090</u>	<u>689,098</u>
 Fair value	 <u>\$ 13,051,880</u>	 <u>\$ 14,267,546</u>

Investment income (loss) consists of the following for the year ended October 31:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 326,400	\$ 412,954
Unrealized gain	1,992	735,469
Realized gain (loss)	(173,313)	106,754
Portfolio management fees	<u>(61,224)</u>	<u>(56,769)</u>
	<u>\$ 93,855</u>	<u>\$ 1,198,408</u>

**SUN VALLEY SUMMER SYMPHONY, INC.
D.B.A. SUN VALLEY MUSIC FESTIVAL
NOTES TO FINACIAL STATEMENTS**

Note D – Fair Value of Assets and Liabilities

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- | | |
|---------|--|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. |
| Level 2 | Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value instrument. |

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A significant portion of investment assets are classified within Level 1 because they are comprised of open-end mutual funds with readily determinable fair values based on daily redemption values. U.S. Government and corporate obligations, as well as bond mutual funds, are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2. The fair value of the private equity fund is based on a pricing model applied to the quoted market prices of the underlying fund investments. These are considered to be Level 3 investments.

**SUN VALLEY SUMMER SYMPHONY, INC.
D.B.A. SUN VALLEY MUSIC FESTIVAL
NOTES TO FINACIAL STATEMENTS**

Note D – Fair Value of Assets and Liabilities (Continued)

The following table sets forth by level, within the fair value hierarchy, the Festival’s investments at fair value as of October 31, 2020.

		<u>Fair Value Measurements Using</u>		
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 224,492	\$ 224,492	\$ 0	\$ 0
Fixed income funds	3,516,367		3,516,367	
US equities and funds	5,599,676	5,599,676		
Global equity funds	1,832,956	1,832,956		
Alternative investment funds	1,425,782	1,425,782		
Private Equity	<u>452,607</u>			<u>452,607</u>
Total	<u>\$ 13,051,880</u>	<u>\$ 9,082,906</u>	<u>\$ 3,516,367</u>	<u>\$ 452,607</u>

The following table sets forth by level, within the fair value hierarchy, the Festival’s investments at fair value as of October 31, 2019.

		<u>Fair Value Measurements Using</u>		
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 291,224	\$ 291,224	\$ 0	\$ 0
Fixed income funds	4,115,108		4,115,108	
US equities and funds	4,882,149	4,882,149		
Global equity funds	3,208,990	3,208,990		
Alternative investment funds	1,362,468	1,362,468		
Private equity fund	<u>407,607</u>			<u>407,607</u>
Total	<u>\$ 14,267,546</u>	<u>\$ 9,744,831</u>	<u>\$ 4,115,108</u>	<u>\$ 407,607</u>

	<u>2020</u>	<u>2019</u>
Reconciliation of Level 3 assets		
Beginning	\$ 407,607	\$ 293,675
Purchases/contributions and returns on investments	45,000	138,932
Distributions	<u>0</u>	<u>(25,000)</u>
Total	<u>\$ 452,607</u>	<u>\$ 407,607</u>

**SUN VALLEY SUMMER SYMPHONY, INC.
D.B.A. SUN VALLEY MUSIC FESTIVAL
NOTES TO FINACIAL STATEMENTS**

Note E – Endowment Funds

The Festival's endowment (the Endowment) consists of net assets without donor restrictions designated for endowment by the Board of Directors. All endowment funds are a board-designated endowment.

The Board of Trustees of the Festival has interpreted the Idaho Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Festival retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Festival considers various factors in making a determination to appropriate or accumulate donor-restricted endowment funds in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, these factors include: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Festival, and (7) the Festival's investment policies.

The Festival has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. The target minimum rate of return is 6%-7% on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate of return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

**SUN VALLEY SUMMER SYMPHONY, INC.
D.B.A. SUN VALLEY MUSIC FESTIVAL
NOTES TO FINANCIAL STATEMENTS**

Note E – Endowment Funds (Continued)

The Festival uses an endowment spending-rate formula to determine the maximum amount to spend from the Endowment each year. The long-term annual draw shall be 2.5% of the trailing twelve quarter average of the Endowment. The Board shall approve a draw amount each fiscal year in accordance with annual budget projections. Such amount shall not exceed 2.5% but may be less than 2.5% depending on projected financial needs. In establishing this policy, the Board of Directors considered the long-term expected return on the Endowment, and sets the rate with the objective of maintaining the purchasing power of the Endowment over time. In October of 2019, the Board revised the long-term annual draw to 3.5%.

	<u>2020</u>	<u>2019</u>
Board Designated – Without Restriction		
Beginning of year	\$ 9,341,763	\$ 8,720,151
Investment return, net	56,933	842,841
Distributions	<u>(300,000)</u>	<u>(221,229)</u>
Change in endowment net assets	<u>(243,067)</u>	<u>621,612</u>
Endowment net assets, end of year	<u>\$ 9,098,696</u>	<u>\$ 9,341,763</u>

Note F – Pledges Receivable

As of October 31, 2019, the Festival held \$22,000 in promises to give, with a discount of \$516. The pledge was discounted at 1.75%. In the current year, the entire pledge was collected. There were no outstanding pledge receivables as of October 31, 2020.

**SUN VALLEY SUMMER SYMPHONY, INC.
D.B.A. SUN VALLEY MUSIC FESTIVAL
NOTES TO FINACIAL STATEMENTS**

Note G – Property and Equipment

At October 31, property and equipment consists of the following:

	<u>2020</u>	<u>2019</u>
Stage	\$ 452,166	\$ 452,166
Musical instruments	436,622	401,944
Buildings and improvements	802,880	464,655
Equipment	<u>687,050</u>	<u>652,958</u>
	2,378,718	1,971,723
Less accumulated depreciation	<u>(792,932)</u>	<u>(718,682)</u>
	<u>\$ 1,585,786</u>	<u>\$ 1,253,041</u>

Depreciation expense for the year ended October 31, 2020 and 2019 was \$74,250 and \$72,123, respectively.

Note H – Right To Use Sun Valley Pavilion

In exchange for a contribution of \$3,000,000 in 2008, the Festival was granted, in perpetuity, the exclusive right to use the Sun Valley Pavilion during four continuous weeks in July and August each year, and the exclusive right to use storage areas within the facility.

**SUN VALLEY SUMMER SYMPHONY, INC.
D.B.A. SUN VALLEY MUSIC FESTIVAL
NOTES TO FINACIAL STATEMENTS**

Note I – Refundable Advance

On April 15, 2020, the Festival received loan proceeds in the amount of \$198,887 under the Paycheck Protection Program (“PPP”) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Festival is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. Management has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. Proceeds from the loan are eligible for forgiveness if the Festival maintains employment levels during its 24-week covered period and uses the funds for certain payroll, rent, and utility expenses. Management had determined that as of October 31, 2020, all conditions had been met and revenue was recognized in the statement of financial activities. On December 30, 2020, the entire balance of the loan was formally forgiven.

Note J – Net Assets

The detail of the Festival’s net asset categories at October 31, is as follows:

	<u>2020</u>	<u>2019</u>
Without donor restrictions:		
Invested in intangibles and property	\$ 4,585,786	\$ 4,253,041
Board designated - endowment funds	9,098,696	9,341,763
Undesignated surplus	<u>1,418,451</u>	<u>2,165,606</u>
Total without donor restrictions	15,102,933	15,760,410
With donor restrictions:		
Unexpended funds received for restricted purposes:		
Reserves restricted for improvements in Summer		
Concerts at the Sun Valley Pavilion	2,006,987	2,019,809
Gifts given in advance for events and programs in 2021	290,514	178,724
Music Institute	50,000	75,479
Moran Guest Artist Fund	<u>447,524</u>	<u>537,201</u>
Total with donor restrictions	<u>2,795,025</u>	<u>2,811,213</u>
Total net assets	<u>\$ 17,897,958</u>	<u>\$ 18,571,623</u>

**SUN VALLEY SUMMER SYMPHONY, INC.
D.B.A. SUN VALLEY MUSIC FESTIVAL
NOTES TO FINACIAL STATEMENTS**

Note K – Defined Contribution Plan

The Festival has a defined contribution plan for eligible employees. Employee participation in this plan is voluntary and subject to certain minimum eligibility requirements. Employer contributions of \$31,728 and \$17,958 were made to the plan for the year ended October 31, 2020 and 2019, respectively.

Note L – Risks and Uncertainties

The COVID-19 pandemic is having significant effects on markets, supply chains, businesses, and communities. The extent of the impact of COVID-19 on the Festival's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Festival's funding sources, volunteers, employees, and vendors, all of which at present, cannot be determined. The spread of the virus required the Festival to transform its summer season, including concerts and education programs, to an online model. Accordingly, the extent to which COVID-19 may impact the Festival's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic. Management is actively monitoring the situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Since the start of the pandemic, the Festival's Board of Directors has authorized the use of operating reserves to supplement cash flow, and maintain programming and staff to the extent possible.